

## Message Text

CONFIDENTIAL

PAGE 01 STATE 202421  
ORIGIN EUR-12

INFO OCT-01 ISO-00 INR-10 COME-00 EB-08 DODE-00 TRSE-00  
SS-15 CIAE-00 /046 R

DRAFTED BY EUR/RPE: R L WEISMAN  
APPROVED BY EUR/RPE: W H DAMERON  
INR/REC: M KOHN (SUBS)  
COM/BEWT: W KOLARIK (SUBS)  
OER: D GULLO (SUBS)  
-----031553 102321Z /66  
R 101915Z AUG 78  
FM SECSTATE WASHDC  
TO USMISSION USNATO

C O N F I D E N T I A L STATE 202421

E.O. 11652: GDS

TAGS: EGEN, NATO, UR

SUBJECT: ECONADS: COMMENTS ON NATO REPORT ON SOVIET  
BALANCE OF PAYMENTS

REF: USNATO 7126

1. WASHINGTON AGENCIES HAVE EXTENSIVE COMMENTS ON SOVIET  
BALANCE OF PAYMENTS (AC 127-WP/576) REPORT. THEY AGREE  
THAT CONCLUSIONS ARE VALID BUT LANGUAGE IS SOMEWHAT  
SLOPPY. MOST COMMENTS CORRECT IMPRECISIONS IN LANGUAGE;  
SOME PROVIDE MORE RECENT DATA AND FIGURES WHICH TAKE  
INTO ACCOUNT PIPE AND OTHER EQUIPMENT FOR ORENBURG (SEE  
FOOTNOTE 3, PAGE 6 OF THE REPORT).

2. LINE-BY-LINE COMMENTS. UNDER SUMMARY:

A. IN PARAGRAPH 1 CHANGE "A LARGE DEFICIT ( 6.3 MILLIARD  
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 STATE 202421

DOLS....)" TO READ "A LARGE TRADE DEFICIT (6.3  
MILLIARD...)."

B. IN PARAGRAPH 1, CHANGE "FURTHER INCREASE IN SALES"  
TO "FURTHER INCREASE IN EXPORTS."

C. IN PARAGRAPH 1, CHANGE "2.4 MILLIARD" TO "3.3

MILLIARD."

ALSO CHANGE "10 PER CENT FALL-OFF IN PURCHASES" TO  
'4PER CENT FALL-OFF IN PURCHASES."

D. OUR LATEST ESTIMATE FOR GOLD SALES IN 1977 IS 1.6  
BILLION (PARAGRAPH 2).

E. IN PARAGRAPH 4, CHANGE "CREDIT FACILITIES" TO  
"OFFICIAL CREDIT FACILITIES" AND "WESTERN COUNTRIES" TO  
"WESTERN GOVERNMENTS."

F. IN PARAGRAPH 4, CHANGE "AND TO INCREASE THEIR DRAWINGS  
OF OFFICIALLY-BACKED EXPORT CREDITS" TO "AND, AS A RESULT,  
HAS INCREASINGLY FAVORED OFFICIALLY-BACKED EXPORT CREDITS"  
DATA ARE NOT AVAILABLE TO SUPPORT A STATEMENT THAT THERE  
WAS AN INCREASE IN DRAWINGS OF OFFICIALLY-BACKED CREDITS  
IN 1977.

G. IN PARAGRAPH 5, CHANGE FIRST MENTION OF "PROCURE-  
MENTS" TO "ORDERS." CHANGE SECOND "PROCUREMENTS" TO  
"DELIVERIES."

H. ALSO IN PARAGRAPH 5, REPLACE "BUT A HYPOTHETICAL  
DROP IN SALES COULD BE OFFSET BY PRICE INCREASES" WITH  
"BUT DECREASED EARNINGS FROM A POSSIBLE DROP IN THE  
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 STATE 202421

QUANTITIES OF OIL EXPORTED COULD BE OFFSET BY OIL PRICE  
INCREASES."

I. TO LAST SENTENCE IN PARAGRAPH 6, ADD "AT ACCEPTABLE  
COST."

J. IN PARAGRAPH 7, CHANGE "HIGH PROPORTION OF ITS HARD  
CURRENCY IMPORTS" TO "SIGNIFICANT PROPORTION OF ITS  
HARD CURRENCY IMPORTS." ALSO CHANGE "BY MEANS OF  
WESTERN CREDITS" TO "BY MEANS OF OFFICIAL WESTERN CREDITS."  
ALSO CHANGE "REIMBURSING DEBTS" TO "MEETING PAYMENTS ON  
THE DEBT."

3. UNDER "ESTIMATE OF CONVERTIBLE CURRENCY BALANCE OF  
PAYMENTS OF USSR.":

A. IN PARAGRAPH 3, CHANGE "ACCUMULATION OF A LARGE  
DEFICIT" TO "ACCUMULATION OF A LARGE TRADE DEFICIT."

B. IN PARAGRAPH 3, CHANGE "14.3 MILLIARD" TO "15.1  
MILLIARD." ALSO CHANGE "2.4 MILLIARD" TO "3.3 MILLIARD."

C. IN GRAPH 4, SUGGEST LANGUAGE THAT WOULD TAKE ACCOUNT OF JUMP IN GRAIN IMPORTS WHEN DISCUSSING REASONS FOR THE LARGE NEGATIVE BALANCE IN 1975. SOVIET IMPORTS OF WESTERN GRAIN IN 1975 TOTALED 2.3 BILLION DOLLARS COMPARED WITH ONLY 509 MILLION DOLLARS THE PREVIOUS YEAR.

D. IN PARAGRAPH 5 CHANGE "BECAUSE IMPORTS OF CAPITAL GOODS AND IRON AND STEEL INDUSTRY PRODUCTS WERE KEPT AT ROUGHLY THE SAME LEVEL AS THE YEAR BEFORE (7.3 BILLION DOLLARS)" TO "BECAUSE OF A MODEST INCREASE IN IMPORTS OF CAPITAL GOODS AND IRON AND STEEL PRODUCTS (7.7 BILLION DOLLARS)." SINCE THE 411 MILLION DOLLARS WORTH OF PIPE AND EQUIPMENT FOR THE ORENBURG PIPELINE THAT MOSCOW

CONFIDENTIAL

PAGE 04 STATE 202421

BOUGHT ON BEHALF OF EASTERN EUROPE IS INCLUDED IN TOTAL SOVIET HARD CURRENCY IMPORTS (15.2 BILLION), IT ALSO SHOULD BE INCLUDED IN THE VALUE FOR MACHINERY AND PIPE IMPORTS (7.7 BILLION).

E. IN PARAGRAPH 6, CHANGE TO READ "RESULT OF A DROP (4 PER CENT) IN IMPORTS (14.6 MILLIARD)." ALSO REVISE TO READ, "BUT GRAIN PURCHASES ARE KNOWN TO HAVE AMOUNTED TO 1.4 MILLIARD (1.2 MILLIARD LESS THAN IN 1976.)"

F. IN PARAGRAPH 6, SOVIET EXPORTS OF NATURAL GAS IN 1976 WERE 347 MILLION, NOT 358 MILLION; IN 1977 THEY WERE 570 MILLION, NOT 600 MILLION.

G. DELETE FOOTNOTE 3 ON PAGE 6.

H. INFORMATION IN PARAGRAPH 7 SHOULD COME NEAR BEGINNING OF SECTION.

I. IN PARAGRAPH 9, CHANGE "SOVIET FOREIGN CURRENCY" TO "SOVIET HARD CURRENCY." ALSO CHANGE "SOVIET SALES" TO "SOVIET EXPORTS."

J. IN PARAGRAPH 10, OUR LATEST ESTIMATES FOR GOLD SALES FOR 1977 IS ABOUT 1.6 BILLION; THE 1.55 BILLION FIGURE REPRESENTS ONLY SALES THROUGH NOVEMBER.

K. IN PARAGRAPH 13, CHANGE "SURPLUS OF 329 MILLION DOLLARS" TO "DEFICIT OF ONLY 509 MILLION DOLLARS."

L. IN PARAGRAPH 16, CHANGE "USE OF THE CREDIT FACILITIES" TO "USE OF THE OFFICIAL CREDIT FACILITIES."

CONFIDENTIAL

CONFIDENTIAL

PAGE 05 STATE 202421

M. INTERNATIONAL CREDIT MARKETS DURING MOST OF 1975 WERE ADEQUATE BUT NOT GREATLY LIQUID.

MARKETS BECAME "SUPER-LIQUID" ONLY IN MID-1976 (PARAGRAPH 17).

N. REPLACE SECOND SENTENCE IN PARAGRAPH 18 ("THIS NET DEBT...") WITH "AFTER GROWING TO 7.5 MILLIARD DOLLARS IN THE FIRST HALF OF 1977, THIS NET DEBT WAS GRADUALLY REDUCED TO 6.3 MILLIARD DOLLARS BY THE END OF THE YEAR."

O. IN PARAGRAPH 19, CHANGE "OF EUROCREDITS" TO "OF SYNDICATED EUROCREDITS,"; CHANGE "250 MILLION" TO "280 MILLION," AND CHANGE "POINT BELOW" IN TWO PLACES TO "POINT ABOVE."

P. IN PARAGRAPH 21, CHANGE "CONVERTIBLE DEBT BURDEN" TO "CONVERTIBLE CURRENCY DEBT BURDEN," AND CHANGE "REIMBURSEMENTS" TO "REPAYMENTS."

Q. DELETE THE CONCLUSION -- THE LAST SENTENCE -- IN PARAGRAPH 21. IT IS TOO STRONG IN LIGHT OF CURRENT EURO-CURRENCY AVAILABILITY.

4. UNDER "LIKELY FUTURE TRENDS":

A. REPLACE PARAGRAPH 22 WITH:

---"THE SOVIET CONVERTIBLE CURRENCY TRADE DEFICIT IN 1978 IS EXPECTED TO BE BETWEEN 2 BILLION DOLLARS AND 3 BILLION DOLLARS. GRAIN IMPORTS IN 1978 WILL PROBABLY REACH 2.5-3.0 BILLION DOLLARS BUT COULD GO HIGHER IF THE SOVIET HARVEST FALLS WELL SHORT OF CURRENT ESTIMATES. IN CONTRAST, SOVIET EQUIPMENT IMPORTS IN 1978 ARE EXPECTED TO FALL CONSIDERABLY, REFLECTING A SHARP DECLINE IN NEW ORDERS FOR WESTERN EQUIPMENT LAST YEAR -- FROM  
CONFIDENTIAL

CONFIDENTIAL

PAGE 06 STATE 202421

6 BILLION DOLLARS IN 1976 TO 3.7 BILLION DOLLARS IN 1977." BASED UPON THE SCHEDULE OF DELIVERIES FOR 1978, WE HAVE REVISED UPWARD OUR ESTIMATE FOR SOVIET IMPORTS OF WESTERN GRAIN AND HAVE UPDATED THE VALUE OF SOVIET MACHINERY ORDERS FOR 1976 AND 1977.

B. IN PARAGRAPH 23, CHANGE OPENING SENTENCE TO READ:

"THERE SHOULD BE A PICK-UP IN 1978 OF ORDERS FOR WESTERN EQUIPMENT SINCE THE SOVIET UNION DEPENDS ON THESE EQUIPMENT DELIVERIES..." THE CURRENT LANGUAGE IS TOO STRONG.

C. IN PARAGRAPH 23, CHANGE "PROCUREMENTS" TO DELIVERIES."

D. IN PARAGRAPH 24, CHANGE "CLEARING AGREEMENTS" TO "COMPENSATION AGREEMENTS."

E. IN PARAGRAPH 27, CHANGE "SECURING ITS RAW MATERIAL SUPPLIES" TO "SECURING ADDITIONAL RAW MATERIAL SUPPLIES."

F. IN PARAGRAPH 31, CHANGE "HIGH PROPORTION OF ITS HARD CURRENCY IMPORTS" TO "SIGNIFICANT PROPORTION OF ITS HARD CURRENCY IMPORTS."

G. IN PARAGRAPH 32, CHANGE "RENEWED CONFIDENCE" TO "RECENTLY REINFORCED CONFIDENCE."

H. IN PARAGRAPH 33, CHANGE "REIMBURSING" TO "REPAYING."

5. UNDER TABLE I: EQUIPMENT REFERRED TO IN BOTH FOOTNOTES 2 AND 3 IS WORTH 420 MILLION, AND WAS IMPORTED FROM ITALY, JAPAN, AND U.K.

CONFIDENTIAL

CONFIDENTIAL

PAGE 07 STATE 202421

6. UNDER TABLE II: OUR REVISED ESTIMATES OF SOVIET EXPORTS OF NATURAL GAS ARE AS FOLLOWS: (MILLIONS OF US DOLLARS) 1973 - 23; 1974 - 86; 1975 - 209; 1976 - 347.

7. UNDER TABLE III:

A. CHANGE THE 1977 TRADE BALANCE TO MINUS 3,319;

B. CHANGE THE VALUE OF SOVIET GOLD SALES FOR 1977 FROM 1,550 MILLION TO 1,600 MILLION. THE CURRENT ACCOUNT BALANCE BECOMES MINUS 509 MILLION; THE BASIC BALANCE, PLUS 691 MILLION; AND ERRORS AND OMISSIONS, MINUS 891 MILLION.

VANCE

CONFIDENTIAL

NNN



## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** REPORTS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 10 aug 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1978STATE202421  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** R L WEISMAN  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D780328-0410  
**Format:** TEL  
**From:** STATE  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1978/newtext/t19780877/aaaacmhl.tel  
**Line Count:** 270  
**Litigation Code IDs:**  
**Litigation Codes:**  
**Litigation History:**  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Message ID:** adbf5b65-c288-dd11-92da-001cc4696bcc  
**Office:** ORIGIN EUR  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 5  
**Previous Channel Indicators:** n/a  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** 78 USNATO 7126  
**Retention:** 0  
**Review Action:** RELEASED, APPROVED  
**Review Content Flags:**  
**Review Date:** 03 jun 2005  
**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 1776247  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** ECONADS: COMMENTS ON NATO REPORT ON SOVIET BALANCE OF PAYMENTS  
**TAGS:** EGEN, UR, NATO  
**To:** USNATO  
**Type:** TE  
**vdkgvwkey:** odb://SAS/SAS.dbo.SAS\_Docs/adbf5b65-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
Sheryl P. Walter  
Declassified/Released  
US Department of State  
EO Systematic Review  
20 Mar 2014  
**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014